

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of:)

The Allowance for Funds Used)

of interest during the construction period"¹ as part of the cost incurred to place an asset in service. This philosophy is consistent with the GAAP (Generally Accepted Accounting Principles) approach, supported by the NTCs. The GAAP approach provides that the reason for IDC accrual is to recognize the cost of foregone opportunities -- i.e., the ability to pay off debt -- resulting from construction. The other school of thought provides that the purpose of IDC accrual is to compensate investors for the use of their funds (both debt and equity) during the construction period.² Both schools show some support for their understanding of the underlying policy.³ A rulemaking proceeding should examine the underlying rationale behind IDC accrual, and resolve the discrepancy in the record relating to "interest costs" versus "adequate compensation to investors."

B. The NYNEX Telephone Companies' Proposal To Adopt Generally Accepted Accounting Principles With Regard To IDC Accrual Is Consistent With Commission Policy.

In our Comments we have proposed that the Commission consider the adoption of GAAP regarding IDC accrual for both accounting and ratemaking purposes. The NTCs' proposal is consistent with the Commission's stated policy of conforming

¹ MCI Comments at p. 5.

² E.g., Ameritech Petition.

³ For example, Compare 47 C.F.R. Section 32.2000(c)(2)(x)(A) With AT&T Charges For Interstate Service, CC Docket No. 19129, 64 F.C.C.2d 1, 60, para. 152 (1977).

with GAAP to the extent regulatory considerations permit.⁴ The adoption of GAAP, coupled with the NTCs' proposed changes to rate base and earnings determination, would equitably balance ratepayer and investor interests.

III. CONCLUSION

The record in this proceeding shows that the Commission should initiate a rulemaking proceeding to clarify its intent with regard to IDC accrual and ensure consistency between its accounting and ratemaking policies. The Commission should propose to amend Part 32 and Part 65 to require computation of IDC in accordance with GAAP, and should amend Part 65 to allow inclusion of Long-Term TPUC (Telecommunications Plant Under Construction) in rate base and IDC income in earnings determination.

Respectfully submitted,

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and
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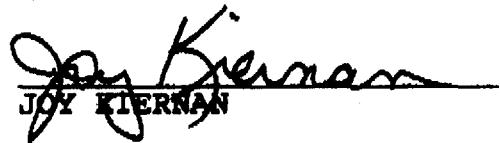
Their Attorneys

Dated: April 5, 1991

⁴ Revision of the Uniform System of Accounts for Telephone Companies to Accommodate Generally Accepted Accounting Principles, CC Docket No. 84-469, 102 F.C.C.2d 964 (1985).

CERTIFICATE OF SERVICE

I certify that copies of the foregoing Reply Comments Of The NYNEX Telephone Companies were served on each of the persons on the attached Service List for Docket No. RM-7626, on this 5th day of April, 1991, by first class United States mail, postage prepaid.


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